I. Executive Summary

The State of Washington Local Government Infrastructure Study was authorized during the 1998 Washington State Legislative Session through Substitute House Bill 6455. This legislation directed the Public Works Board, in consultation with the Department of Community, Trade and Economic Development (CTED), to contract for a local government infrastructure needs assessment. The consultant team retained to perform this study worked in partnership with the Public Works Board, CTED, the Legislative Evaluation and Accountability Program (LEAP), and two committees, both of which were comprised of governmental, business, and environmental leaders.

Study Purpose

The Local Government Infrastructure Study was commissioned to answer several important questions relative to local infrastructure planning and funding. This report provides answers to the following questions:

- What infrastructure needs do local governments anticipate over the six-year period 1998 through 2003?
- What funding sources and amounts are planned to be utilized by local governments to fund infrastructure needs for the period 1998 through 2003?
- What funding gap exists between infrastructure needs and funding sources and amounts identified by local governments for the period 1998 through 2003?
- What public and private financial resources are available to address infrastructure needs?
- What level of use of available financial resources is projected to address infrastructure needs for the period 1998 through 2003?
- What funding options and policy alternatives exist for addressing the infrastructure funding gap?
- How can capital facilities plans and the planning process be improved?
- What type of decision support system could enable state and local policy-makers and the private sector to monitor and compare, on an ongoing basis, infrastructure needs, resources, and the gap between them?

Study Methodology, Parameters, and Basis for Results

The information needed to address identified planning and funding issues was collected from three primary sources. These sources included local government capital facilities plans; interviews with finance, planning, and public works personnel from a sample set of jurisdictions; and focus groups with local government planning and funding officials.

Infrastructure categories covered by this study include roads, bridges, domestic water systems, sanitary sewer systems, and storm water systems. Local governments included in the study encompass cities, counties, special purpose water and sewer districts, and public utility districts (PUDs) providing water service. This totals 487 local governmental entities.

Infrastructure funding needs and strategies reported by the local governments that participated in the study formed the foundation for the study results. In total, 354 out of the 487 jurisdictions included in the study submitted information regarding capital facilities needs. Of the 354 jurisdictions, 324 identified projects for the period 1998 through 2003. These 324 jurisdictions represent a total of 91% of the Washington's population, including 90% of the statewide population residing within cities, 94% of the statewide population residing in the unincorporated areas of counties, and 74% of the customers of water and sewer districts and 80% of the customers of PUDs included in the study.

Overview of Study Results

The local government infrastructure planning and funding questions posed by this study were answered based upon the best available information. The results of funding analysis, suggestions for improving capital facilities plans and the planning process, and the role of an infrastructure decision support system to answer future questions are summarized below.

- ***Infrastructure Funding Needs***—A total funding need of $8.16 billion in 1998 dollars was reported by 324 local jurisdictions for the period 1998 through 2003. Extrapolated for the 133 jurisdictions from which no information was received and for the 100 jurisdictions with capital facilities plans that did not cover the full six-year study period the total funding need is estimated to be $9.43 billion in 1998 dollars.

- ***Infrastructure Funding Utilization***—Funding sources and amounts reported by the same 324 local jurisdictions for the total funding need of $8.16 billion in 1998 dollars includes local (public and private) sources at 47% ($3.95 billion); state sources at 13% ($1.01 billion); federal sources at 10% ($0.82 billion); "combined" federal, state, and/or local sources (individual amounts not identified) at 4% ($0.31 billion); and "unfunded, unspecified, or unknown" sources at 26% ($2.07 billion).

- ***Infrastructure Funding Gap***—A potential funding gap of $3.05 billion in 1998 dollars, or 38% of total funding needs, exists when comparing funding needs with identified funding sources and amounts. This gap consists of "unfunded, unspecified, or unknown" sources, as well as "unspecified" local, state, and federal funding sources that were included within their respective level of government totals in the funding utilization results. Funding needs, utilization, and gap are summarized for the period 1998 through 2003 in Exhibits I-1 and I-2 by infrastructure category and jurisdiction type, respectively.

Exhibit I-1, Total Funding Summary by Infrastructure Category: 1998-2003

	Roads	Bridges	Domestic Water	Sanitary Sewer	Storm Water	Total
Funding Needs	$3.70 billion	$0.39 billion	$1.68 billion	$1.82 billion	$0.57 billion	$8.16 billion
Funding Utilization	$2.15 billion	$0.25 billion	$1.10 billion	$1.34 billion	$0.27 billion	$5.11 billion
Funding Gap	$1.55 billion	$0.14 billion	$0.58 billion	$0.48 billion	$0.30 billion	$3.05 billion
Funding Gap	41%	35%	35%	26%	52%	38%

All amounts are expressed in 1998 dollars.

Exhibit I-2, Total Funding Summary by Jurisdiction Type: 1998-2003

	Cities	Counties	Water/Sewer Districts	PUDs	Total
Funding Needs	$4.81 billion	$2.89 billion	$0.37 billion	$0.09 billion	$8.16 billion
Funding Utilization	$2.54 billion	$2.24 billion	$0.26 billion	$0.07 billion	$5.11 billion
Funding Gap	$2.27 billion	$0.65 billion	$0.11 billion	$0.02 billion	$3.05 billion
Funding Gap	47%	22%	31%	16%	38%

All amounts are expressed in 1998 dollars.

It is important to note that funding needs are required to be "fiscally constrained" for those cities and counties planning under the Growth Management Act (GMA). If the fiscal constraint requirement was removed, then the funding needs and gap would likely be significantly larger.

- ***Available Infrastructure Funding Sources***—Many funding sources are available, but jurisdictions typically have to "piece" together a "patchwork" of federal, state, and local, grant, tax, and debt sources to assemble an infrastructure funding package. Except for transportation grants, state and federal grants and loans are usually not available for growth-related projects. Investments in utilities are most often financed by local ratepayers. Funding for infrastructure takes many forms, including rates, bonds, some dedicated tax (general fund) sources, and some private sources. The availability of local funding must be viewed in context of other general government funding needs.

- ***Level of Use of Available Infrastructure Funding Sources***—Evaluation of the 13 primary state and federal grant and loan programs that provide funding for infrastructure projects indicates that for the latest funding cycle all but two programs are fully- or over-subscribed. The level of subscription ranges from 73% to 593%. Local sources that are available and being used include rates, user charges, grants, loans, and general fund sources. Sources used less frequently in comparison include utility taxes, real estate excise taxes, local-option taxes, debt, and some private sources. Transportation benefit districts, local option gas tax, and employee taxes are available to fund infrastructure, but jurisdictions do not utilize them as funding sources.

- ***Infrastructure Funding Options and Policy Alternatives***—A host of factors influence the funding environment for infrastructure, including regulations, the state of small utility systems, and concurrency and capacity requirements. Some modifications to existing sources and new funding strategies are outlined in the study to address the greatest funding needs, especially city and county transportation projects and small utility system needs. A comprehensive review of funding options requires more time and review by the Assessment Committee and Technical Advisory Group. In addition, policy alternatives to address issues external to local government (e.g., regulatory, environmental, economic, and political) that impact the cost of infrastructure should also be carried forward for further study.

- ***Suggestions for Improving Capital Facilities Plans and Planning***—A number of suggestions have been identified to strengthen capital facilities plans (CFPs) and planning. Suggestions address the CFP document, the process by which CFPs are developed, and the role of the state in supporting suggested changes.

  These changes will benefit local jurisdictions and the State by enabling more effective decision making as a result of more consistent, reliable, and accessible infrastructure needs and funding information. However, some of the suggested changes will place burdens on local staff and financial resources. Thus, these suggestions include an element of state technical and financial support. The Department of Community, Trade and Economic Development should assist local jurisdictions implement these suggestions.

- ***Infrastructure Decision Support System***—Decision makers throughout the state of Washington, from both the public and private sectors, currently do not have the ability to comprehensively identify, track, and analyze critical infrastructure planning and funding information on a statewide basis. An infrastructure decision support system is needed to collect, organize, analyze, and report infrastructure revenue, expenditure, and contextual data.

  The business case for this system is strong, and optimal technology exists to make it a reality. Under the leadership of the Legislative Evaluation and Accountability Program, State Auditor's Office (SAO), Public Works Board, and Department of Community, Trade and Economic Development, a pilot project is being conducted to test system feasibility and provide recommendations for proceeding to the Legislature during the 2000 legislative session. This system is anticipated to leverage the Local Government Financial Reporting System (LGFRS).

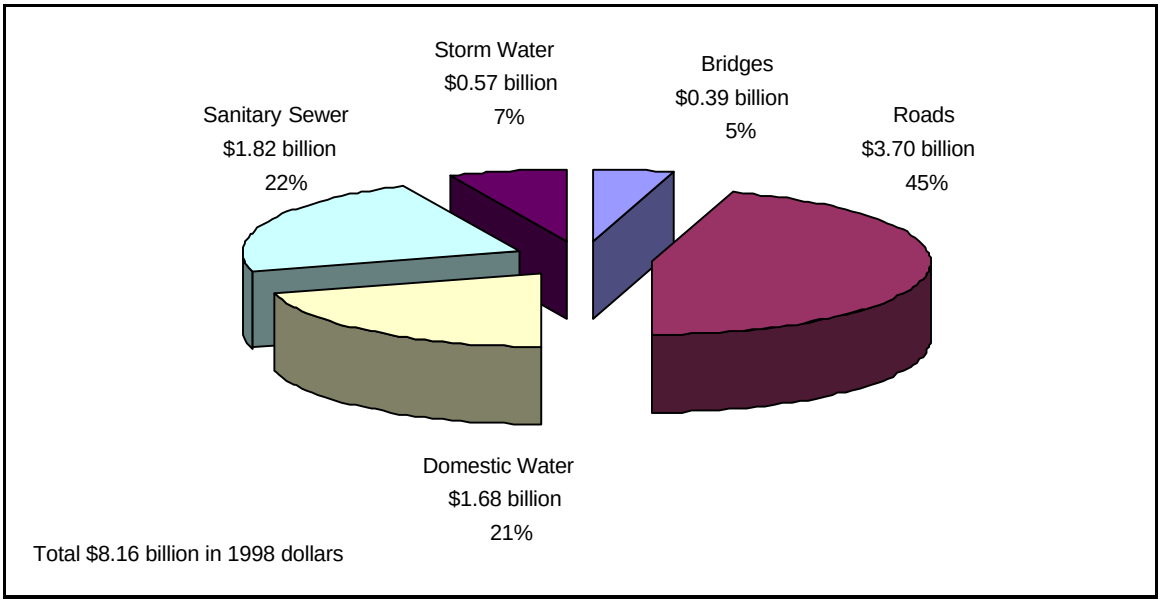
Each of these study elements is described in more detail in the remainder of the Executive Summary. In addition, recommended next steps are provided based on the study results.

Infrastructure Funding Needs

This study identified local government infrastructure funding needs totaling $8.16 billion for the six-year period 1998 through 2003, as reported by 324 local jurisdictions. Funding needs, as measured by this study, are summarized in Exhibit I-3. Infrastructure funding needs are dominated by cities and counties, which together account for 93% of the total. Analysis of needs by infrastructure type shows that 50% of the needs are for transportation (roads and bridges) and 50% are for utilities (domestic water, sanitary sewer, and storm water). The most significant needs, by dollar amount, are for city streets ($2.25 billion or 61% of total road needs), city domestic water systems ($1.33 billion or 79% of total domestic water needs), and county sanitary sewer systems ($0.96 billion or 53% of total sanitary sewer needs).

It is important to keep in mind that these results do not reflect the needs of the approximately 16,000 private and community water systems in the state of Washington, which were not included in this study. Likewise, irrigation, reclamation, diking, and other special districts were not included within the scope of the study.

Exhibit I-3, Total Funding Needs by Infrastructure Category: 1998-2003



The study findings indicate that transportation has the most significant funding problem among the infrastructure types studied. One element of this funding problem is that transportation projects are focused on maintaining concurrency and capacity in communities, which pull funding support away from maintenance and preservation efforts. In addition, within cities and counties transportation needs compete with other general government functions for limited resources (i.e., few dedicated local funding options are available for transportation projects).

Transportation funding also suffers from a structural problem. There are multiple transportation funding sources, many with different requirements and funding levels. Hence, putting together a transportation capital plan is like putting together a puzzle – lots of different pieces, in different sizes and shapes are required. The most significant transportation funding shortfalls are for (1) capacity improvements in growth areas, particularly those with older infrastructure or facing freight mobility challenges, (2) maintenance and preservation projects, and (3) funding for large, multi-jurisdictional projects.

Small water and sewer utilities, particularly those in rural or low growth areas, also face substantial financial challenges. Some of these entities have a limited rate base and critical needs. State funding programs are used to fund needed improvements, but the needs typically exceed available funding.

Both large and small jurisdictions identified state and federal regulations as the key driver or influence on infrastructure funding needs. Some cited specific examples, such as requirements to comply with National Pollutant Discharge Elimination System (NPDES) and changes to Safe Drinking Water Act (SDWA) standards. The Endangered Species Act (ESA) was cited numerous times as having a significant impact on infrastructure project costs. Most jurisdictions have not yet quantified the ESA's potential effect on project costs, but there is widespread understanding that it is likely to add an additional "layer" of cost and complexity.

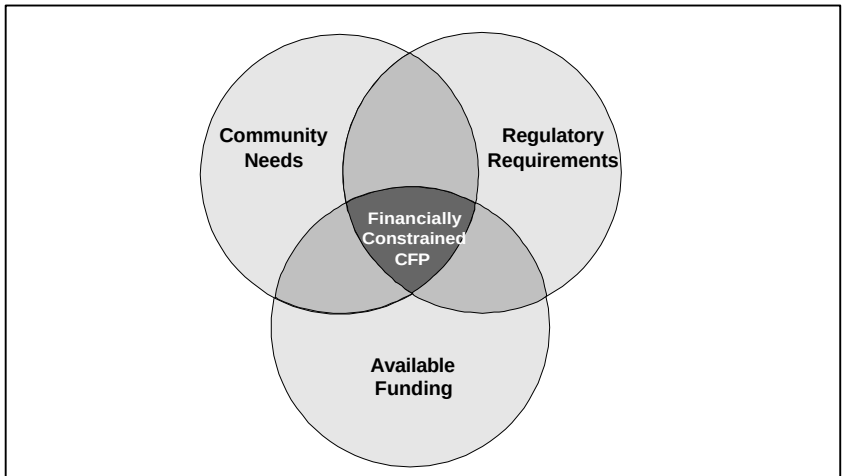
While this study provides a comprehensive representation of the infrastructure funding needs reported in capital facilities plans by cities, counties, special purpose water and sewer districts, and PUDs providing water service, there are two notable limitations to the results. First, capital facilities plans were not received from 133 of the 487 jurisdictions included in the study. Second, 100 of the 354 jurisdictions from which capital facilities plans were collected have plans that do not fully cover the six-year study period.

In order to provide a more complete estimate of statewide funding needs for the 487 jurisdictions included in the study, reported needs of $8.16 billion were extrapolated to address these two data limitations. Reported needs were extrapolated first for submitted plans that do not fully cover the six-year planning period, and second for plans not received. Together, these two extrapolations produced estimated funding needs of $9.43 billion, 16% more than reported needs.

Another consideration in attempting to estimate full statewide funding needs is the effect of fiscal constraint on reported needs. Under GMA, local jurisdictions' capital facilities plans are required to show that the financial capacity exists to meet planned improvements. Communities must prioritize their needs from a "full" list of projects by carefully balancing community needs, regulatory requirements, and available funding.

The result of this balancing process is a financially constrained plan, the six-year CFP, which typically contains a subset of the "full" list of projects that a community may actually need and consider for funding. In other words, some projects "do not make the cut." The relationship between the factors that influence infrastructure decisions is depicted in Exhibit I-4, with the intersection of the three circles representing the fiscally constrained CFP.

Exhibit I-4, Factors that Influence Infrastructure Decisions



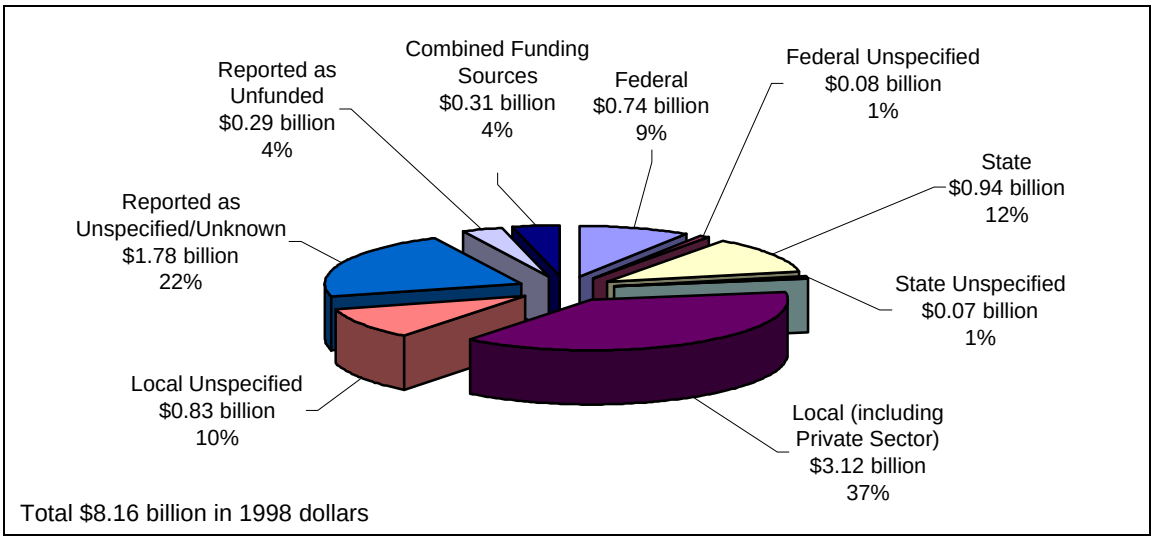
Source: Public Works Board

An analytical exercise to begin to identify possible relationships between constrained and unconstrained needs determined that, purely as an example, one Western Washington community's unconstrained roadway needs are approximately 1.75 times its reported constrained need for the period 1999 through 2005. In this case, $30 million separates an unconstrained need of $68 million and a constrained need of $38 million. This case study illustrates the potential size of identified local government infrastructure funding needs that do not appear in financially constrained capital facilities plans.

Infrastructure Funding Utilization (Sources and Amounts)

Once local infrastructure needs were estimated at $8.16 billion, planned sources of funding for these needs were analyzed. This analysis focused on data gathered from CFPs using the same methodology as that used for the needs assessment. Local governments draw upon local (including private sector), state, and federal sources to address their infrastructure needs. Additional categories summarizing funding information reported in CFPs are "combined" sources; "unfunded;" "unspecified/unknown" sources; and "unspecified" local, state, and federal sources. Funding source data are provided in Exhibit I-5, and each of the funding sources identified in Exhibit I-5 is defined below.

Exhibit I-5, Total Funding by Source: 1999-2003



Based on information reported by local governments, it is significant to note that 47% ($3.95 billion) of total funding, as shown in Exhibit I-5, is projected to be derived from local (including private sector) sources. This reported funding level includes both "unspecified" (10%, $0.83 billion) and specified (37%, $3.12 billion) local sources. "Unspecified" local funding sources include sources that local jurisdictions generically indicated as "local" funding for a project. Specified local funding sources include all locally-derived general tax revenues, utility rates and charges, and revenues from "private" sources, defined as local improvement districts (LIDs), road improvement districts (RIDs), impact fees, utility connection charges, developer contributions, and other growth-related mitigation funding programs. Local funding sources also include gas tax proceeds distributed by the State to cities and counties for deposit in the jurisdictions' road and street funds. These gas tax funds, while treated in the study as "local," are state-shared revenues.

Also as shown in Exhibit I-5, 13% ($1.01 billion) of total funding is reported to come from state sources and 10% ($0.82 billion) from federal sources. As for local funding, state and federal totals include both "unspecified" and specified sources. "Unspecified" state and federal funding sources reflect instances where local jurisdictions generically indicated "state or federal grant or loan" as a funding source for a project. Examples of specified state and federal grant and loan sources include the Transportation Equity Act for the 21st Century (TEA-21), Transportation Improvement Board (TIB), and Public Works Trust Fund (PWTF).

Another category of specified funding sources is "combined" sources, which represent 4% ($0.31 billion) of total funding. "Combined" funding indicates funding from multiple sources with the funding level reported in the aggregate and not by individual source. As a result, these local, state, and federal sources could not be assigned to their respective funding groups.

As indicated in Exhibit I-5, it is also a significant finding that 22% ($1.78 billion) of all funding is reported by local jurisdictions to come from "unspecified/unknown" sources, and 4% ($0.29 billion) of total funding is reported as "unfunded." "Unspecified/unknown" sources include unspecified grants and loans, as well as truly "unknown" sources. "Unfunded" reflects instances when a local jurisdiction reported the funding source for a project as "unfunded." The significance of these categories, and the "unspecified" local, state, and federal sources, is discussed below.

Examination of projected funding sources and amounts at a more detailed level leads to a number of observations regarding how local governments plan to fund their infrastructure projects. Some of the more significant observations regarding funding sources and amounts (all in 1998 dollars) for the period 1998 through 2003 are provided below.

- The majority of federal (77%, $0.65 billion) and state (79%, $0.81 billion) funding sources are projected to be used for road and bridge projects.
- Local, including private sector, funding sources are fairly evenly distributed across infrastructure categories, with 44% ($1.78 billion) for road projects, 30% ($1.12 billion) for domestic water projects, and 15% ($0.62 billion) for sanitary sewer projects.
- "Unspecified/unknown" funding sources are projected to be primarily used to pay for road projects (57%, $1.06 billion), domestic water projects (25%, $0.42 billion), and sanitary sewer projects (12%, $0.21 billion).
- TEA-21 is projected to be the largest federal funding source at 60% ($0.48 billion) of total federal funding.
- The most substantial state funding sources include the Transportation Improvement Board (40%, $0.39 billion), County Road Administration Board (19%, $0.19 billion), Public Works Trust Fund (14%, $0.14 billion), and Department of Transportation (7%, $0.07 billion).
- Local funding draws from various sources including utility rates (18%, $0.66 billion), Road or Street Fund (18%, $0.65 billion), bonds (18%, $0.63 billion), private sources (12%, $0.42 billion), and general purpose revenues (8%, $0.28 billion).
- Private funding sources include, but are not limited to, developer contributions (26%, $0.11 billion), local improvement districts (26%, $0.11 billion), utility connection charges (17%, $0.07 billion), and impact fees (14%, $0.06 billion). The majority (83%) of private revenues are projected to be used for city streets and county roads. A significant portion of infrastructure investments in this state, particularly for utility systems, is made through "developer extensions," (i.e., developer-funded and constructed projects that are turned over to local jurisdictions). These investments are not covered by this study.

- Communities appear to focus projects on expansion of system capacity. The primary types of project reported by infrastructure category include road capacity expansion ($2.39 billion, 68% of total road funding); bridge repair, replacement, and rehabilitation ($0.28 billion, 73% of total bridge funding); and domestic water, sanitary sewer, and storm water capacity expansion ($2.09 billion, 72% of total water, sewer, and storm water funding).

It is important to note that infrastructure needs and funding mechanisms vary significantly by type of infrastructure and by type of jurisdiction – "one size does not fit all." Different jurisdictions face different challenges and have different tools at their disposal to address their funding needs. What all jurisdictions have in common is a very complex challenge in determining how to fund their infrastructure needs. Each agency must piece together a workable capital facilities plan, given a mix of funding options and tools; legal, political, and administrative realities; shifting regulatory mandates; and competing priorities and community needs.

All jurisdictions identified state and federal regulations as the key driver or influence on infrastructure needs and funding strategies. Factors that may influence a jurisdiction's approach to funding projects include the age and condition of the physical plant across all infrastructure types, their history and experience using various financing tools, available funding, the community's growth rate, level of service (LOS) standards, economic development objectives and policies, and the extent of annexations and incorporations.

Infrastructure Funding Gap

Although a minimal funding "gap" between needs and resources was anticipated because of fiscal constraint planning requirements mandated by GMA, a significant funding gap is evident in local government capital facilities plans. This reflects both the uncertainty of future funding sources and the jurisdictions' capacity to fund projects. Specifically, the gap is made up of projects that local governments actually note as "unfunded;" "unspecified/unknown" sources; and "unspecified" local, state, or federal funds. The total potential funding gap identified in 324 capital facilities plans is $3.05 billion, or 38% of total funding needs for the period 1998 through 2003, as shown in Exhibit I-6.

Exhibit I-6, Summary of Potential Funding Gap

Reported by Local Jurisdictions	1998-2003 Funding Gap)	Percent of Total Need ($8.16 billion)
"Unfunded"	$0.29 billion	4%
Unspecified/Unknown	$1.78 billion	22%
Unspecified		
Unspecified local funding	$0.83 billion	
Unspecified state grant/loan	$0.07 billion	
Unspecified federal grant/loan	$0.08 billion	
Subtotal Unspecified	$0.98 billion	12%
Total Potential Funding Gap	$3.05 billion	38%

All amounts are expressed in 1998 dollars.

It is important to note that there is a significant distinction in the representation of information between the funding utilization and funding gap elements of this report. Specifically, to document funding utilization (i.e., reported sources of funding), "unspecified" local, state, and federal funding sources were categorized as local, state, and federal funding. In contrast, to estimate funding gap "unspecified" local, state, and federal funding sources were treated as "unfunded" to reflect the uncertainty that jurisdictions face in securing funding.

Another important point is that the estimated potential funding gap does not take into account recent legislative efforts to increase infrastructure funding. Notable are potential contributions resulting from actions by the 1999 Legislature regarding rural economic development, Referendum 49, and the state transportation budget.

Available Infrastructure Funding Sources

For all infrastructure funding sources, particularly for transportation projects, the challenge for local governments is to (1) secure financing, regardless of funding source, and (2) assemble a funding "package" for projects. Many sources are available, but successful jurisdictions find that a certain level of effort, experience, and resources to devote to planning and assembling the "funding package" is required.

State and Federal Funds. A range of state and federal programs is available to fund local infrastructure projects. In general, the financial assistance offered through these programs is limited, and the competition for funding is strong. As the emphasis in funding has shifted from grants to loans, local communities have become more directly responsible for the costs of infrastructure investments. Loans can help reduce the cost of project financing, but the revenues needed to meet interest and principal payments must come from local sources.

Although transportation projects stand as an important exception, state and federal funding is generally not available for infrastructure needs that are driven by growth. For basic services, such as drinking water and sewer systems, the costs of addressing new demands must be borne directly by new customers or shared across the existing rate base.

In reviewing potential future funding, it can be ascertained that federal transportation funding has increased under TEA-21, but state funding is not projected to grow. Funding from the Public Works Trust Fund will generally be increasing, but the loans offered through the State's other revolving funds may diminish as federal capitalization grants "dry up." The following ranges of annual funding are anticipated to be available by infrastructure type (across a variety of programs):

- $275-$300 million in grants and $10-$12 million in loans for transportation projects;
- $34-$35 million in grants and $73-$93 million in loans for sewer and storm water projects;
- $3-$4 million in grants and $63-$73 million in loans for drinking water projects; and
- $64-$77 million in grants and $7-$9 million in loans for economic development programs, some tailored to specific needs.

Local Funds. Options for funding infrastructure projects with local revenues can take many forms, and jurisdictions tend to "piece together" these available sources. City and county general funds represent a potential source, but strong competition exists with general government services, meaning that local governments must balance operating and capital needs. Bonds, which represent debt to a jurisdiction, are available in several ways, the most common being voted or non-voted general obligation (GO) bonds and revenue bonds. Alternative bond financing mechanisms, such as "63-20" and Section 108 financing, also expand the available debt options for local governments.

Dedicated sources for infrastructure investments include the real estate excise tax (REET) and sales and use tax for distressed counties. There are several funding sources that can be employed for transportation projects at the local level. They include county road levies, motor vehicle fuel tax (MVFT), one local option of the motor vehicle excise tax (MVET), one local option of the gas tax, employer tax, license fees, parking tax, and transportation benefit districts.

Utilities, as special purpose districts or within city and county government, are usually managed through enterprise funds that have rates, charges, and bonds as available sources. PUDs also have the ability to levy property taxes. Water and sewer districts are statutorily limited to the imposition of a one-time property tax assessment, for a finite period of time, and for costs associated with formation only.

Private sources of funding for transportation projects include State Environmental Protection Act (SEPA) mitigation (a declining source), impact fees, LIDs and RIDs, and developer contributions. Areas planning under GMA have authority to impose impact fees (36 cities and 7 counties currently impose impact fees). For utilities, private sources include the same sources as noted for transportation, plus the ability to assess system development charges.

Level of Use of Available Infrastructure Funding Sources

Determining the extent to which state and federal grant and loan sources are over- or under-subscribed was not possible using the capital facilities plans, due to the sizable total of "unknown" and "unspecified" funding sources, as well as the number of jurisdictions that did not submit plans. Therefore, a revised approach was undertaken using interviews with state and federal grant and loan program managers. The results of this approach indicated that jurisdictions' level of use of these programs is extensive. All programs but two are fully- or over-subscribed for the latest funding cycle, indicating high demand for state and federal grant and loan programs. Subscription levels range from 73% to 593%.

Infrastructure Funding Options and Policy Alternatives

Early in the study process, members of the Assessment Committee and Technical Advisory Group met to discuss funding options and policy alternatives to be analyzed within the study. The group discussed the fact that there are many issues external to local government operations—regulatory, environmental, economic, and political—that increase local government infrastructure project costs and limit the feasibility of potential funding options. It was concluded that more time would be required to review these issues sufficiently enough to provide the Legislature with a full list of funding options and policy alternatives. As a result, it was agreed that a range of important issues should be pursued through future study. Potential funding options and policy alternatives that need to be described and evaluated in detail through further study are identified below.

Use of Current Funding Sources. Many jurisdictions have the ability to levy taxes at a higher rate or increase debt financing; however, they do not. Some of the comparatively less utilized or unutilized funding sources include REET, utility taxes, local option transportation taxes (e.g., gas tax and employer tax), and increased reliance upon private sector funding mechanisms, such as local improvement districts, SEPA mitigation, developer contributions, and public-private partnerships.

Potential New Funding Options. Potential new funding options include modifications to existing funding sources and new funding sources, as identified below:

- ***Modifications to Existing Funding Sources***—these include a streamlined application process, increased loan funding for emergency needs, lower thresholds for voter approval of bond issues, periodic increases in the gas tax and indexing of this tax to keep pace with inflation, changes to current gas tax allocations, and increased emphasis on maintenance, preservation, and growth-related funding; and

- ***New Funding Sources***—these include extension of local utility tax authority, extension of business and occupation (B&O) tax authority, redistribution of construction sales tax, expansion/revision of local option authority, enterprise funding for transportation, tax increment financing, sales tax exemption for infrastructure projects, creation of the Growth Management Infrastructure Account with dedicated revenue sources, Forward Thrust-type infrastructure initiatives, such as "Forward Thrust for Infrastructure 2000," and raising private-use bond caps.

Potential Policy Alternatives. Suggested policy alternatives, based on other states' experience, include increasing use of benefit assessment districts, air and land rights leasing, and turnkey procurement agreements. Other policy alternatives include liability reform, regulatory reform, review of prevailing wage laws, privatization and contracting, process efficiencies, project prioritization, reduced levels-of-service, redefining or tightening infrastructure project definitions, and defining "basic levels of service."

Suggestions for Improving Capital Facilities Plans and Planning

Suggestions for improving capital facilities plans and planning were developed to respond to issues that were identified through the analysis of capital facilities plans collected for this study and through the in-depth sampling of a representative group of jurisdictions. The suggestions address the CFP document, the process by which CFPs are developed, and the role of the state in supporting the recommended changes.

These changes will benefit local jurisdictions and the State by enabling more effective decision making as a result of more consistent, reliable, and accessible infrastructure needs and funding information. However, some of the suggested changes will increase demands on limited local staff and financial resources. Thus, these suggestions include an element of state support for technical and financial assistance. Improvement should be implemented through a phased process, such as that used for GMA implementation. Suggestions are summarized below.

The Plan Document

- A standardized template, which would include projects, costs, funding information, and project phasing, is suggested to achieve greater consistency in the way capital facilities plans are presented. Using the template, jurisdictions would also indicate the responsibility of other jurisdictions in helping to finance projects, and where projects extend beyond the six-year time frame of the plan. This will support a more consistent data structure for the information contained in CFPs, and play an important role in supporting state and local infrastructure investment policy development.

- A methodology should be established, with the assistance of the state, to allow jurisdictions to convey information about their total unconstrained needs in CFPs, while still complying with the requirements of the Growth Management Act. CTED should develop a mechanism to present this information in a way that meets the legal requirements of GMA.

- An annual update to each jurisdiction's CFP is suggested. This will address those jurisdictions that do not prepare an annual update to their capital plan. It will enable the formulation of a full, statewide six-year projection for all jurisdictions for the same six years.

The CFP Planning Process

- All jurisdictions, including cities, counties, water and sewer districts, and PUDs, should prepare annually updated capital facilities plans in a consistent format, which meets the requirements of applicable regulatory agencies, including CTED, the Department of Ecology (DOE), and the Department of Health (DOH). These state agencies will need to work together to establish uniform planning guidelines and requirements.

- Several state funding sources, such as the TIB and PWTF, require a CFP in order to apply for funds. Phasing in expansion of these requirements to all state funding sources is suggested to help bring further consistency to the CFP planning process.

- A centralized process and coordination strategy should be defined by each jurisdiction for their capital facility planning activities. Each jurisdiction should designate a "lead person" who is the single point of contact for inquiries regarding the jurisdiction's CFP.

- Coordinated planning between cities and counties should be required for potential annexation areas. There is a need to provide capital investments in these areas in a way that responds to both city and county service standards and addresses financial equity issues created by annexations.

The Role of the State

- Many of the suggestions for improving CFPs and the CFP planning process will place burdens on local government staff and financial resources. Therefore, the State should assist jurisdictions, through technical and possibly financial support, to respond to these suggestions. It is suggested that CTED provide this assistance. CTED may require financial support to fulfill this role. Currently, CTED provides assistance to local government in several areas, including GMA compliance.

- As part of a technical assistance role, CTED should prepare an update to the CTED guidebook, "Making Your Comprehensive Plan A Reality: A Capital Facilities Plan Preparation Guide." The update could include recommended approaches for responding to suggested changes to the CFP and CFP planning process.

Infrastructure Decision Support System

Decision-makers throughout the state of Washington have a limited ability to monitor, analyze, and compare infrastructure needs, resources, and the gap between them. A decision support system is needed that collects the necessary data within the existing infrastructure planning and reporting process and stores the data centrally to allow statewide reporting and ad hoc query analysis. The system needs to operate at two distinct levels: provide state policy makers, and the private sector, a sense of what is happening across the state at a high level, and enable local governments to compare what is happening in their jurisdiction to peers of their own choosing. Local government comparisons would help to identify trends that allow jurisdictions to learn from their peers and, ultimately, develop best practices for planning and funding their infrastructure needs.

The decision support system should be grounded in data consisting of infrastructure revenues, expenditures, and contextual data (e.g., population, infrastructure condition, and outcomes) reported by jurisdiction, infrastructure category, and project type. Data would be collected, stored, organized, analyzed, and reported within the system. Over time, data requirements would be expanded beyond those defining the parameters of this study to encompass a more comprehensive set of jurisdictions, infrastructure categories, and project types, including those defined below.

- ***Jurisdictions***—cities, counties, water and sewer districts, PUDs, ports, school districts, transit systems, parks and recreation districts, fire districts, public facilities districts, library districts, and the state of Washington.
- ***Infrastructure categories***—roads, bridges, water systems, sewer systems, storm water systems, transit systems, parks, jails, solid waste systems, schools, fire/emergency systems, libraries, and community facilities such as convention centers.
- ***Project types***—maintenance and preservation (i.e., repair, replacement, and rehabilitation), operations and administration, and improvement (i.e., capacity expansion).

The business case for a decision support system is strong. This system would provide greater utility at the state and local levels, because it would:

- Support investment strategies that are coordinated between state and local governments;
- Facilitate trend analysis and prioritization of alternative funding strategies;
- Support evaluation of cost drivers such as regulations, amenities, and public involvement;
- Streamline local reporting requirements;
- Connect critical data elements for planning, budgeting, and reporting; and
- Enhance the consistency and integrity of data through common data elements and definitions.

Next Steps

This comprehensive local government infrastructure report contains a wealth of information that responds to the objectives of the study. It is anticipated that the study results will support deliberations on many fronts. There are several actions that appear to be logical next steps to build upon and leverage knowledge gained from this undertaking. Recommended next steps are provided below.

- ***Decision Support System***—Continue the work of the Policy Working Group, which was convened by the Legislature, to conduct a pilot project to test the feasibility of a decision support system for state and local infrastructure planning and funding decision-making. The pilot project should investigate the potential use of geographic information systems (GIS). Developing and implementing a decision support system is critical to being able to more efficiently and effectively answer infrastructure planning and funding questions on an ongoing basis. The 1999 Legislature appropriated funding for LEAP to lead this effort.
- ***Funding Gap, Funding Options, and Policy Alternatives***—Initiate discussions, which take into consideration funding options and policy alternatives, regarding how to most effectively address the potential infrastructure funding gap of $3.05 billion. In order facilitate these discussions, further analysis is needed to assess the advantages and disadvantages of each funding option and policy alternative. The Public Works Board is considering such an assessment as a follow-on activity to this study.
- ***CFP and CFP Planning Process Improvements***—Implement suggested improvements to capital facilities plans and the capital facilities planning process. CTED should work with local jurisdictions to determine how the State can best assist local jurisdictions with implementation.
- ***Needs Assessment of Other Infrastructure Categories***—Determine funding needs, utilization, and availability for the many infrastructure categories not covered by this study. These categories include jails, parks, schools, solid waste systems, transit systems, fire/emergency systems, libraries, community facilities, and all water systems and community sewer systems not covered by this study.

Quantifying the needs of other infrastructure categories is critical to conveying the strong and fierce competition for limited financial resources. Two components of the infrastructure funding picture that were not fully addressed by this study and should be in the future are unconstrained needs and the contributions of the private sector through infrastructure improvements.

- ***Financial Viability of Private and Community Water Systems***—Assess the financial viability of private and community water systems as highlighted in the Funding Options section of the report. Since local governments typically acquire private and community systems when they fail, it is important to quantify the potential financial impact of water system failures on local governments.

- ***Infrastructure Communications Program***—Develop an ongoing program for communicating infrastructure funding information to the Legislature, state and local officials, the private sector, and the public. This mechanism should leverage the infrastructure decision support system.